

**Frequently Asked Question**

**Bank Indonesia Circular Letter No. 13/27/DPM concerning Procedures for Reverse Repo Transaction of Sovereign Sharia Securities with Bank Indonesia in the Context of Sharia Open Market Operations**

**1. Q What is the background to the issuance of these provisions concerning Sharia Monetary Operations?**

A These provisions are issued as guidelines for Banks in conducting Sovereign Sharia Securities (SBSN) Reverse Repo Transaction with Bank Indonesia.

**2. Q What does SBSN Reverse Repo Transaction with Bank Indonesia mean?**

A SBSN Reverse Repo Transaction is a transaction for the purchase of SBSN by a Bank from Bank Indonesia, with a sell-back condition by the Bank at an agreed price and within an agreed period. This transaction is conducted by Bank Indonesia in the context of liquidity absorption of a Bank or monetary contraction.

**3. Q Who are the participants of SBSN Reverse Repo Transaction?**

A The participants of SBSN Reverse Repo Transaction are BUS/UUS (hereinafter referred to as Banks) which may submit a bid directly or through an intermediary.

**4. Q What are the requirements for participating in SBSN Reverse Repo Transaction?**

A In order to participate in SBSN Reverse Repo Transaction, Banks shall meet the requirements, among other things, having a minimum FDR 80%, having active status as a participant of BI-SSSS and BI-RTGS System, not being subject to any sanction of temporary suspension of its participation in OMS activity, having a Demand Deposit Account and a Securities Account. In addition, Bank must sign the covenant (*Wa'd*) to Resale SBSN In the Context of SBSN Reverse Repo Transaction along with the required supporting documents.

**5. Q How can a Bank submit a bid for an auction of SBSN Reverse Repo Transaction?**

A The Bank shall submit a bid including the nominal value of transaction for the auction using fixed rate tender method or the nominal value of transaction and SBSN Reverse Repo Transaction Margin for an auction by using variable rate tender method through BI-SSSS.

**6. Q How can a Bank know about the results of SBSN Repo Reverse Transaction auction?**

A Bank Indonesia shall announce the results of SBSN Reverse Repo Transaction auction after the closing of the window time individually to the auction winner through BI-SSSS and comprehensively through BI-SSSS, LHBUS System, and/or other facilities.

**7. Q What are the settlement obligations of Banks participating in SBSN Reverse Repo Transaction?**

A The Banks must have sufficient funds in a Demand Deposit Account for the first leg settlement and the Banks must have sufficient types and series of SBSN in a Securities Account for the second leg settlement.

**8. Q What are the consequences of a violation in fulfilling the settlement obligations?**

A SBSN Reverse Repo Transaction shall be declared cancelled. In the event that a Bank fails to conduct the second leg settlement, SBSN Reverse Repo Transaction shall be treated as a purchase transaction in an outright manner by the Bank and Bank Indonesia shall not pay SBSN Reverse Repo Transaction Margin to the Bank.

In relation to the cancellation of Reverse Repo Transaction, the Bank shall be subject to sanctions in the form of:

- a. written reprimand
- b. a financial penalty of 0,01% (one per ten thousandth) of the nominal value of the cancelled SBSN Repo Reverse Transaction, with the minimum amount of Rp10,000,000.00 (ten million rupiah) and the maximum amount of Rp100,000,000.00 (one hundred million rupiah); and
- c. in the event that the Bank has cancelled OMS transactions three times during a period of 6 (six)

month, the Bank shall be subject to temporary suspension of its participation in OMS for 5 (five) consecutive business days.

In the event of cancellation of SBSN Repo Reverse Transaction in the second leg and in the event that SBSN market price in the second leg is higher than the price in the first leg transaction, the Bank shall be subject to an additional financial penalty in the amount of the difference between the price in the second leg transaction and the price in the first leg transaction, after being multiplied by the nominal SBSN subject to the reverse repo.